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EXAMINER

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**Please find below and/or attached an Office communication concerning this application or proceeding.**

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**BEFORE THE BOARD OF PATENT APPEALS  
AND INTERFERENCES**

Application Number: 09/896,061  
Filing Date: June 29, 2001  
Appellant(s): SCHMITZ ET AL.

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Kent E. Genin  
For Appellant

**EXAMINER'S ANSWER**

This is in response to the appeal brief filed 5/05/2008 appealing from the Office action mailed 9/7/2007.

**(1) Real Party in Interest**

A statement identifying by name the real party in interest is contained in the brief.

**(2) Related Appeals and Interferences**

The examiner is not aware of any related appeals, interferences, or judicial proceedings which will directly affect or be directly affected by or have a bearing on the Board's decision in the pending appeal.

**(3) Status of Claims**

The statement of the status of claims contained in the brief is correct.

**(4) Status of Amendments After Final**

The appellant's statement of the status of amendments after final rejection contained in the brief is correct.

**(5) Summary of Claimed Subject Matter**

The summary of claimed subject matter contained in the brief is correct.

**(6) Grounds of Rejection to be Reviewed on Appeal**

The appellant's statement of the grounds of rejection to be reviewed on appeal is correct.

**(7) Claims Appendix**

The copy of the appealed claims contained in the Appendix to the brief is correct.

**(8) Evidence Relied Upon**

### **(9) Grounds of Rejection**

The following ground(s) of rejection are applicable to the appealed claims:

#### ***Claim Rejections - 35 USC § 103***

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claims 1, 3 and 6-23 are rejected under 35 U.S.C. 103(a) as being unpatentable over Lupien et al (US Patent No. 5,101,353)..

As per claims 1, 10, 11, 14-15, 17-18 and 21 Lupien et al disclose a system and method for performing on-line trading over an automated execution system. See the abstract. The method and system comprise: routing an electronic order for a product submitted by a participant into the automated execution system (column 12, lines 53-67) and automatically executing the electronic order against the participant. See column 12, line 53 to column 13, line 23. Lupien et al disclose executing orders against at least one market maker. See column 13, lines 2-23.

Lupien et al do not explicitly state automatically in order priority at least a portion of the electronic order against an order in an electronic book at a prevailing market price irrespective of broker review and automatically routing a second remaining portion of the electronic order, if any, to the market subsystem, wherein the second remaining portion of the electronic order is executed against another participant. Lupien et al also do not explicitly state assigning a first remaining portion of the electronic order to the participant or assigning a second remaining

portion of the electronic order wherein the second remaining portion of the electronic order is executed against a market maker subsystem.

However, Lupien et al state that orders are placed in an electronic book (column 12, lines 23-67 and column 14, lines 8-10) and that orders may be prioritized based on price, size and time (column 11, lines 43-55) irrespective of broker review. Lupien et al also teach splitting an order. See column 14, lines 32-36. The function of executing in order priority at least a portion of the electronic order against an order in an electronic book and a remaining portion against the participant at a predetermined participation percentage is considered as an agreement left between a participant and a client or as an agreement within a trading firm or company.

As such, any agreement among these different entities would have been possible as long as all the involved entities agree to act on certain agreement, terms and conditions. The Examiner notes that the system of Lupien et al contains all the claimed structural elements to perform the claimed invention. The types of agreement in which to automatically execute an order is not a patentable distinction when viewing the system and method of Lupien et al because in the system and method of Lupien et al, trades are automatically executed and priority of an order submitted by a participant or user or client are taken into consideration. Thus, it would have been obvious to one of ordinary skill in the art at the time the invention was made to also include such an agreement as a function in the system of Lupien et al in order to allow a more versatile system being able to accommodate users or participants with diverse types of investment agreement.

As per claim 3, see figure 1 and column 6, lines 60-67.

As per claims 6-8, Lupien et al disclose the product comprise a security, derivative, or

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commodity having at least one seller order or one buy order or at least one unit of a security, derivative or commodity (column 6, lines 1-24 and column 7, line 47 to column 8, line 52, and column 8, lines 34-52.).

As per claims 9 and 16, Lupien et al disclose the participant submits the electronic order for a customer, and wherein the customer is assured to receive the National Best Bid or Offer for the electronic order.

As per claim 12, Lupien et al disclose routing an electronic order comprises entering the electronic order into a user device. See column 6, lines 1-67.

As per claim 13, Lupien et al disclose the step of receiving the electronic order over the computer network comprises receiving the electronic order at a trading facility. See figure 1 of Lupien et al.

As per claim 19, the Lupien et al not explicitly state the predetermined portion of the electronic order is in a range of 0 to 100% of the electronic order. As per this feature, the Examiner asserts that when splitting the order as noted above, the predetermined portion of the electronic order automatically ranges from 0 to 100%.

As per claim 20, Lupien et al disclose the market makers comprise market makers, specialists, and designated primary market makers (DPMs).

As per claim 22, Lupien et al disclose the order routing system creates a fill report when the electronic order is filled. See column 14, lines 30-35 and column 11, lines 38-67.

As per claim 23, Lupien et al disclose the product is at least one security, commodity or derivative. See column 8, lines 34-52.

### **(10) Response to Argument**

Regarding claim 1 and its dependent claims 3 and 6-9, appellant argues that Lupien et al fail to teach or suggest at least routing a first remaining portion of an order to a participant who submitted an order and then automatically executing a percentage of the first portion against that participant.

In response, Lupien et al teach splitting an order with one portion of the order being executed and the remaining portion being left to the firm participation subsystem. See column 14, lines 30-57. Detailed of what is being done with the remaining portion is not explicitly stated as the Examiner notes and asserts that any of a plurality of desired trades or routing decisions are possible as such would have been left as a desired function or trade activity by a trader or user of the system and method of Lupien et al. wherein Lupien et al do not prevent a user or trader from doing or performing a specific trading activity with the remaining portion. The appellant's argument that there are no automated routing functions being performed using the remaining portion is not convincing because Lupien et al are directed toward an automated trading system which can perform a plurality of automated and automatically programmed trading functions. See the abstract. The type of functions to be performed with the remaining portion is left to the involved parties or the agreement among the involved parties or financial objective of the trader as such does not affect the system and method of Lupien et al and because Lupien et al do not limit the user from performing a specific type of trading transactions. order submitted by a participant or user or client are taken into consideration. Thus, it would have been obvious to one of ordinary skill in the art at the time the invention was made to also include such an agreement

as a function in the system of Lupien et al in order to allow a more versatile system being able to accommodate users or participants with diverse types of investment agreement.

Regarding claim 10 and its dependent claims 11-16, claim 17 and its dependent claims 18-20, appellant states that the claims call for the “automatically executing in order priority the electronic order against a book order irrespective of broker review and automatically assigning a first remaining portion of the electronic order to the participant and further states Lupien et al are operated investment adviser and the appellant cites column 11, lines 42-44.

In response, Lupien et al clearly teach “automatically routing an electronic order for an option contract submitted by a participant into an automated execution over a computer network and the electronic order is further automatically routed to a book process subsystem and automatically executing in order priority the electronic order and maintaining a remaining portion of the electronic order (see column 6, lines 46-66 and column 14, lines 30-57 of Lupien et al ). In the system and method of Lupien et al., it is not necessary that a broker reviews an order, such can be done automatically. Lupien et al state “Orders are executed by the system on a price/time priority basis within in step 44, although orders could also be executed on a price/size/time priority basis. All orders generated are forwarded to controller CPU 10 which presents them together with those from other clients for display to each client or client process...” . See column 11, lines 38-66 of Lupien. Arguments regarding functions of assigning a first remaining portion of the electronic order to a participant are discussed above.



Regarding claim 21 and its dependent claims 22-23, the Examiner's response regarding "irrespective of broker review" is discussed above. Furthermore, Lupien et al clearly teach steps and means for automatically allocating in order priority at least a portion of an electronic order against an electronic book at a prevailing market price. See column 11, lines 38-60 of Lupien et al. Lupien et al further teach splitting an order while executing one portion and leaving one portion unexecuted. Lupien et al do not explicitly state or detail what a user or entity would do with the remaining portion or percentage or Lupien et al do not explicitly state "automatically allocating a predetermined percentage of a contra-side of a remaining portion of the electronic order to the firm participant. The type of functions to be performed with the remaining portion is left to the involved parties or the agreement among the involved parties or financial objective of the trader as such does not affect the system and method of Lupien et al and because Lupien et al do not limit the user from performing a specific type of trading transactions. Orders submitted by a participant or user or client are taken into consideration. Thus, it would have been obvious to one of ordinary skill in the art at the time the invention was made to also include such an agreement as a function in the system of Lupien et al in order to allow a more versatile system being able to accommodate users or participants with diverse types of investment agreement.

#### **(11) Related Proceeding(s) Appendix**

No decision rendered by a court or the Board is identified by the examiner in the Related Appeals and Interferences section of this examiner's answer.

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For the above reasons, it is believed that the rejections should be sustained.

Respectfully submitted,

/Frantzy Poinvil/

**Conferees:**

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/A. J. F./

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